

FISCAL NOTE

Bill #: SB0342

Title: Corporate accountability act

Primary Sponsor: Wheat, M

Status: As Introduced

Sponsor signature	Date	Chuck Swysgood, Budget Director	Date
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Fiscal Summary

	<u>FY 2004</u> <u>Difference</u>	<u>FY 2005</u> <u>Difference</u>
Expenditures:		
General Fund	\$0	\$0
Revenue:		
General Fund	\$0	\$0
Net Impact on General Fund Balance:	\$0	\$0

- | | |
|---|--|
| <input type="checkbox"/> Significant Local Gov. Impact | <input checked="" type="checkbox"/> Technical Concerns |
| <input type="checkbox"/> Included in the Executive Budget | <input type="checkbox"/> Significant Long-Term Impacts |
| <input type="checkbox"/> Dedicated Revenue Form Attached | <input type="checkbox"/> Needs to be included in HB 2 |

Fiscal Analysis

ASSUMPTIONS:

Department of Labor and Industry

1. Section 6 of the bill will require the Board of Public Accountants to adopt rules requiring licensees who audit publicly traded corporations to maintain audit work papers and other information in accordance with the federal Sarbanes-Oxley Act of 2002. It is assumed that the board will comply with this section during regularly scheduled meetings and the cost associated with the filing of administrative rules will be absorbed within the appropriation authorized by HB 2.

Department of Commerce

2. Publicly traded corporations conducting business in Montana would have to certify to the Montana Secretary of State that they are in compliance with the federal Sarbanes-Oxley Act of 2002 and the regulations adopted pursuant to the federal act.
3. The Board of Investments could not invest public funds in a publicly traded corporation that is not in compliance with the act. However, the board would not be required to divest an existing investment in a publicly traded corporation that is not in compliance with the act to the detriment of the state's financial interest.
4. Most of the corporations in which the board invests do not conduct business in Montana and therefore will not be required to certify to the Secretary of State their compliance with the act.

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(continued)

5. In order for the board to comply with this provision, it must be able to ascertain whether corporations in which it invests are in compliance with the act. It is possible that the United States Securities and Exchange Commission will provide a readily-available list of all publicly traded U.S. companies that are in compliance with the act.
6. Given the above assumptions there would be no additional costs incurred by the board to verify corporate compliance with the act.

TECHNICAL NOTES:

Department of Labor and Industry

1. This bill may need to have a coordination clause with HB 98. Under Section 6 of this bill, the new language in subsection (2) (f) would become new subsection (2) (e) if HB 98 passes.

Department of Commerce

2. The Board of Investments currently invests nearly \$700 million in equity-indexed funds. The index fund managers invest in all publicly traded companies in the index and the companies within the index may frequently change. The index fund manager is not at liberty to divest a corporation's stock because it is not in compliance with the act nor can the manager refuse to purchase a corporation's stock because the corporation is not in compliance with the act. Without an exemption in this bill for indexed investing, the board would not be able to invest in index funds.
3. The board currently invests \$450 million in international publicly traded corporations, many of which may not be subject to the act unless they are traded on U.S. stock markets. Without an exemption in this bill for investments in international companies that are not subject to the act, the board may not be able to invest in international companies.